

**SCOTTSDALE TOURISM DEVELOPMENT COMMISSION  
CITY OF SCOTTSDALE  
WITZEMAN PUBLIC SAFETY BUILDING - ARIZONA ROOM  
8401 E. INDIAN SCHOOL ROAD  
SCOTTSDALE, ARIZONA 85251  
JUNE 16, 2009  
APPROVED MINUTES**

**PRESENT:** John Holdsworth, Chairman  
Mike Surguine, Vice-Chairman  
Kate Birchler, Commissioner (left meeting at 9:10 a.m.)  
David Richard, Commissioner  
Leon Young, Commissioner (arrived at 8:24 a.m.)

**ABSENT:** Sam Fox, Commissioner  
Tom Kelly, Commissioner

**STAFF:** Kathy O'Connor, Tourism Development Manager  
Steve Geiogamah, Tourism Development Coordinator  
Brett Berry, Economic Vitality  
Kathy Montalvo, Economic Vitality  
Lee Guillory, Financial Services Manager  
Kelly Ward, Assistant City Attorney

**OTHERS PRESENT FOR ALL OR PART OF THE MEETING:**

Rachel Sacco, SCVB  
Brent DeRaad, SCVB

**1. Call to Order/Roll Call**

Chairman Holdsworth called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:11 a.m. A formal roll call confirmed members present as listed above, noting the presence of a quorum.

**2. Approval of Minutes**

a. Regular Meeting - May 19, 2009

Chairman Holdsworth requested that the minutes reflect the proforma addition of \$176,302 for the transfer of salaries. In response to an inquiry from Commissioner Birchler, Ms. Guillory explained that Council has directed that employee salaries related directly to programs now be charged to those programs. Chairman Holdsworth added that Council moved to adjust the allocation of salaries and particular programs out of the General Fund and into the specific programs. Vice-Chairman Surguine asked why the Commission only heard about it in June if the Council took action in January. Ms. Guillory explained that the line item reflects proposed salaries that had not been determined at the time. Ms. O'Connor added that it was handled through Financial Services, and Economic Vitality was not involved in those decisions.

**VICE-CHAIRMAN SURGUINE MOVED TO APPROVE THE MINUTES OF THE MAY 19, 2009 REGULAR MEETING AS AMENDED. COMMISSIONER RICHARD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF FOUR (4) TO ZERO (0).**

**3. Monthly Staff Reports**

**a. Staff bed-tax collection report**

Ms. O'Connor reported that year-to-date bed-tax is down nearly 21%. The hotel/motel tax declined 18%, miscellaneous retail declined 20%, and the restaurant sector declined 11%. RevPar is down 31%. Chairman Holdsworth expressed concern that projections for FY09/10 revenues are too aggressive. Commissioner Richard said May showed slight improvement, but the market in general is still down. Vice-Chairman Surguine surmised that April could prove to be the bottoming out point for resorts. Regardless of occupancy, however, rates are going to continue to be down for some time. Chairman Holdsworth said national trends indicate that the remainder of the calendar year will likely remain down, but there is some optimism about the spring of 2010. Vice-Chairman Surguine noted that the Phoenix market suffered more than most markets, and that part of the reason could be because of the large increase in supply that was added just prior to the economic downturn.

Commissioner Richard inquired whether restaurants have encountered a decrease in the average check, similar to the decrease in average room rate hotels are experiencing. Chairman Holdsworth responded that visitation remains steady, but the spend rate per table is definitely lower. Commissioner Birchler noted a similar trend in retail, with the spend rate, particularly in the luxury sector, which is down significantly. Commissioner Richard felt that it would take a few years before the transition months of May and September fully rebound.

**b. Bed-tax Proforma**

Ms. Guillory reported that this month's proforma did not change. Chairman Holdsworth proposed the formation of a subcommittee to look into estimated budget revenues and expenditures for next year. The committee would consist of Vice-Chairman Surguine, Commissioner Birchler, and Commissioner Fox.

**c. Smith Travel Report**

No report provided.

**d. Manager's Update**

Ms. O'Connor reported that Commissioner Kelly has decided to resign from the Commission. the Board and Commission reception is on June 17, and the new Desert Discovery Center subcommittee will meet on June 19. The Commission discussed whether to take a summer recess, but agreed to meet again on July 21.

#### **4. Status of Proposed Bed-Tax Increase**

Ms. O'Connor noted the Scottsdale CVB's request to the City Manager to refrain from moving forward with this proposal at this time. Even if the bed-tax had been approved in an election, there would be no authority to spend that money until July of 2010. City Manager Little recommended that if this were to move forward, the impetus should come from the private sector. Ms. Sacco added that other initiatives were added to the November ballot that would have decreased the chances that this ballot would be approved. She said the CVB feels this issue should be revisited once the timing improves. She proposed an agenda item to look into a spring initiative. Vice-Chairman Surguine agreed that waiting until spring is a good idea, as the Commission would have a better feel for what the State taxation rate might look like, and how it would ultimately affect the City's checkout rate.

Commissioner Richard inquired about Council's reaction to the allocation split. Ms. Sacco responded that disagreement remains over what the exact split should be. She noted the near unanimous support among the Scottsdale and Paradise Valley hotel community for the proposed increase, as long as the allocation makes sense for the industry. Precise timing will be crucial if the measure is to make it onto the spring ballot.

#### **5. City of Scottsdale Board and Commissions Annual Ethics Training**

Mr. Ward presented the Commissioners with their annual ethics training session, which focused particularly on open meeting laws, gifts, and conflicts of interest. He emphasized the importance of properly posted agendas and the need to ensure that meeting discussions stick to posted agenda item topics. Open meetings make it possible for citizens to know when their government is dealing with issues that are important to them. A properly posted agenda allows them to decide whether to come in and talk about issues they are concerned about. Action cannot be taken on issues raised during discussions on current events, unless the specific matter was properly noticed for legal action.

#### **6. 2008 Lodging Performance**

Mr. Geigomah reviewed the highlights of the 2008 Scottsdale Lodging and Market Share Analysis Report. The report provides an indicator of where Scottsdale is relative to ten other destinations. Scottsdale's RevPar ranked fifth in 2008, and has ranged between third and fifth the past five years. Scottsdale's market share decreased to its lowest point since 2002. RevPar remains fairly strong compared to the Phoenix and Tucson markets. Staff intends to review the ten destinations to determine whether they are still a competitive set for Scottsdale in terms of demographics, and associated activities.

Vice-Chairman Surguine inquired about the possible reasons for Scottsdale's drop from third in RevPar in 2006, to the present fifth place ranking. Ms. Sacco surmised that it might be dependent on what other destinations have been doing rather than anything Scottsdale has done. Mr. DeRaad added that it could also depend on occupancy, which peaked for Scottsdale in 2006. The data also showed that the market suffered more than others in the later half of 2008. Vice-Chairman Surguine noted that La Jolla was the only other market in the top five to increase its supply of rooms.

Ms. O'Connor said the competitive set of destinations goes back at least eight years, and Staff intends to review the list to make it as relevant and useful as possible. The information would also be compared to other studies to ensure that nothing is overlooked when it comes time to decide on a possible direction for the allocation of resources. Vice-Chairman Surguine felt that the current set includes destinations that vary considerably in terms of supply. Ms. O'Connor proposed that it might be more valuable to consider competitive markets by segmentation instead of total supply. Commissioner Young suggested using CVB data to show the amount of resources that each destination allocates to marketing.

Ms. Sacco said the current report straddles many areas, including the group market, niche markets, and some destinations that have opposite seasons. The current report offers a broad view, but has different implications depending on which group each destination is marketing towards. Commissioner Richard felt it would be more useful to look at the group set separately from the leisure set.

Vice-Chairman Surguine said Scottsdale competes more directly with Cabo San Lucas, than with Durango. Ms. O'Connor noted the past difficulties in getting adequate information about international destinations, but added the situation might be different now. Chairman Holdsworth said Scottsdale has never considered whether the return on investment for destination marketing would be dramatically different if substantially more or less money was allocated toward it. Another factor to consider is the impact of State investment on local destinations.

**7. City Audit Report #2909/ Scottsdale Convention & Visitors Bureau Contract**

Ms. O'Connor reported on the results of an audit of the CVB contract that began in October of 2008, and concluded in April of 2009. No major shortfalls surfaced and the results were very positive. Recommendations were made to shore up written policies and procedures for contract administration, and for the City to evaluate a multi-year arrangement with the CVB by early next year.

**8. Identification of Future Agenda Items**

Chairman Holdsworth proposed an item to discuss what the Mayor and Council are interested in the Commission formally pursuing. He also proposed a special meeting to appoint the budget subcommittee, since this is a matter of urgency.

**9. Public Comment**

There were no public comments.

**10. Adjournment**

With no further business before the Commission, the meeting adjourned at 9:49 a.m.

Respectfully submitted,

A/V Tronics, Inc. DBA AVTranz.